



March 28, 2024

Representative Jesse Sumner, Chair
House Labor and Commerce Committee
Alaska State Legislature, State Capitol Room 9
Juneau, AK 99801

RE: House Bill 226

Dear Chair Sumner:

Moda Health respectfully opposes House Bill 226 in its current form. Overall, we believe the bill would increase costs for health plans for both public and private sector employer groups, reduce plans' ability to manage prescription drug use, increase plans' administrative burdens and financial risks, and negatively impact patient care.

Specifically, Sections 6-8 and 11 would increase administrative work and costs for pharmacy benefit managers and the health plans they serve. More importantly, these sections raise critical trade secret, confidentiality, and marketplace competition issues because they would require continuous disclosure of detailed drug-by-drug cost/pricing information.

Additionally, Section 9 would change the rates at which pharmacy benefit managers (and therefore health plans) reimburse pharmacies. That would substantially increase drug costs for plans because reimbursement would (a) shift to be based on "national drug average acquisition cost" (which is based on a national survey of only certain pharmacies and only certain drugs) or wholesale acquisition cost (a benchmark that is not specific to any one pharmacy) or "pharmacy acquisition cost" (which varies for each pharmacy). At the same time (b) dispensing fees would be set by the state and would likely increase dramatically. These provisions could also increase out-of-pocket drug costs for many health plan members (for example, members whose plans require them to pay a percentage of the cost of a drug instead of a fixed dollar copayment amount). We estimate that the provisions in section 9 could increase Moda's annual prescription drug benefit costs (the total plan plus member costs for prescription drug claims) for the more than 13,000 Alaskans for whom Moda provides prescription drug benefits by around 7% (around \$1 million).

Lastly, Section 10 would limit the ability of health plans to contract with mail order pharmacies and specialty pharmacies, set up pharmacy networks, and manage costs and patient care for specialty drugs and clinician-administered drugs. This section would also prevent plans from directing members to specific pharmacies, thereby limiting the plan's ability to manage the patients' pharmacy care and customer service experiences and health

*Health plans provided by Moda Health Plan, Inc.
Individual medical plans in Alaska provided by Moda Assurance Company.*

outcomes; allow essentially any pharmacy to join the plan's pharmacy network; and allow essentially any pharmacy to declare itself a specialty pharmacy.

Section 10 also includes poor definitions of "specialty pharmacy" and "specialty drugs." Those definitions do not consider many drugs a reasonable person or health care provider would consider specialty, and do not consider the difficult or unusual preparation, handling, storage, inventory, distribution, data collection, clinical care, or administrative requirements associated with specialty drugs. Overall, this section may result in higher risks, waste, and poorer outcomes for patients since it would hamper health plans' ability to assure that people with critical health conditions receive consistent and exceptionally high-quality pharmacy care from experienced specialty pharmacies. We estimate that the provisions in section 10 could increase Moda's annual prescription drug benefit costs (the total plan plus member costs for prescription drug claims) in Alaska by around 5% (around \$700,000).

We would welcome the opportunity to work with the legislature to improve the bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Judge".

Robert Judge
Chief Client Officer, Pharmacy Solutions
Moda Health